

Message Text

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C O N F I D E N T I A L BEIRUT 9983

E.O. 11652: GDS

TAGS: SREF, PFOR, UNRWA, XF, CA

SUBJECT: CANADIAN VIEWS RE UNRWA FINANCIAL CRISIS

REF: OTTAWA 1992

1. FRO RECORD, WE VIEW CANADIAN EXTAFF RESERVATION RE ADMINISTRATION OF UNRWA FINANCES (REFTEL) AS GENERALLY UNFOUNDED AND INDICATIVE OF SUPRISINGLY UNIFORMED ATTITIDES RE AGENCY OPERATIONS, MANAGEMENT METHODS AND BUDGETARY PROBLEMS. IDEA THAT UNRWA'S SCHRONIC GINANCIAL CRISIS MAY BE CAUSED BY TIS "FALIURE TO BUDGET ENOUGHT" IS ERRONEOUS, SINCE AGENCY'S LEVEL OF INCOME DEPENDS ENTIRELY ON INTERNATIONAL VOLUNTARY ASSISTANCE WHICH HAS BECOME INCREASINGLY INADEQUATE TO ENABLE UNRAWA MAINTAIN EXISTING SERVICES (RELIEF AND EDUACTION) TO PALESTINIAN REFUGEES. UNRWA'S BUDGET AND LEVEL OF OPERATIONS WILL ALMOST CERTAINLY HAVE TO REFLECT THIS REALITY AT SOME POINT IN NOT-TOO-DISTANT FUTURE. IN OTHER WORDS, AGENCY'S BEDGET WILL HAVE TO BE TAILORED TO IT INCOME, NOT VICE-VERSA.

2. IDEA THAT UNRWA'S FINANCIAL PROBLEMS CAN SOMEHOW BE RELIEVED OR SOLVED BY IMPORVED FISCAL MANAGMENT IS
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NOT NEW, HAVING BEEN REPEATED AD NAUSEAM BY ARAB HOST

GOVERNMENT IN UNRWA ADVISORY COMMISSION OVER PAST SEVERAL YEARS. FACT IS, HOWEVER, THAT AGENCY'S CAPABLE ADMINISTRATORS HAVE LONG SINCE EXHAUSTED EVERY CONCEIVABLE MEANS OF STREAMLINING OPERATIONS, REDUCING ADMINISTRATIVE COSTS AND CURTAILING NON-ESSENTIAL EXPENDITURES. (IN OUR VIEW, UNRWA ACHIEVES EXCELLENT MILEAGE OUT OF EVERY DOLLAR IT SPENDS.) ARAB GOVERNMENT (AND REFUGEES THEMSELVES) CONTINUE REFUSE TO ADMIT THIS, OF COURSE, BUT IT WOULD BE MOST UNFORTUNATE IF THEIR BLINDNESS TO HARD FACTS SHOULD FIND ENCOURAGEMENT IN FOREIGN CAPITALS, INCLUDING OTTAWA.

3. UNRWA COMGEN CN MAKE GOOD CASE OF HIS VIEW, EXPRESSED IN HIS LATEST DRAFT ANNUAL REPORT TO UNGA (BEIRUT 9629, THAT AGENCY MIGHT HAVE FINISHED CY1973 WITH BALANCED BUDGET HAD IT NOT BEEN FOR COMBINED ADVERSE EFFECTS OF DOLLAR DEVALUATION AND REGIONAL INFLATIONARY PRESSURES. AS THINGS NOW STAND, IT NO LONGER HELPS TO SUGGEST THAT MORE BLOOD CAN BE SQUEEZED FROM THE UNRWA TURNIP, OR THAT AGENCY'S SEVERE FINANCIAL CRISIS CAN BE SOLVED WITHOUT INCREASE IN INCOME AND/OR REDUCTIONS IN SERVICES TO REFUGEES SOMETIME LATER THIS YEAR. SUCH SUGGESTIONS, IN OUR VIEW, REPRESENT HEAD-IN-SAND ATTITUDE THAT WILL COMPLICATE UNRWA'S TROUBLES INSTEAD OF CURING THEM. BUFFUM

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